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## EXECUTIVE SUMMARY

During this semiannual reporting period, the Office of Inspector General (OIG) issued the audit of the Railroad Retirement Board's (RRB) fiscal year (FY) 1998 financial statements. Auditors, as in audits of financial statements for all previous years, included a disclaimer of opinion. Auditors stated that the current timetable for the settlement process for the financial interchange prevents the timely and accurate preparation of annual financial statements.

We also continued to monitor the Year 2000 Project for converting agency information systems and determined the agency is on schedule for overall system conversions. On January 12, 1999, the RRB completed conversion of all mission critical mainframe and personal computer systems. Conversion of 60% of non-mission critical mainframe systems has been completed; the remaining systems are scheduled for completion by September 30, 1999.

We also continued our oversight activities of the investment of agency trust funds by the RRB Investment Committee, and provided the agency's Chair with a summary of our findings in this area. This area remains a major concern to this office.

During this six month period, the Office of Audit completed seven new audit reports that provided recommendations for improvement. Reports focused on the need to improve the accuracy of information maintained in two of the agency's automated systems, the timeliness of waiver processing and RRB benefit payment adjustments. The Office of Investigations achieved 38 criminal convictions, 26 civil judgements, 26 indictments/informations, and \$1,609,175 in monetary accomplishments.

## **PART I - INTRODUCTION**

### **PURPOSE OF THE SEMIANNUAL REPORT**

The Inspector General Act of 1978 (Public Law 95-452, as amended) established Offices of Inspectors General to promote economy, efficiency, and effectiveness, and to prevent and detect waste, fraud, and abuse in a variety of government programs and operations. This legislation established independent statutory Inspectors General who have the authority to conduct audits, investigations and management studies of agency programs and operations.

The Railroad Retirement Solvency Act of 1983 (Public Law 98-76) established the Office of Inspector General (OIG) at the Railroad Retirement Board by naming the agency as "one of such establishments" identified under Section 2 of the Inspector General Act of 1978. The Inspector General Act Amendments of 1988 (Public Law 100-504) added the RRB to the list of agencies covered by the Inspector General Act. In January 1986, the first Inspector General was appointed at the Railroad Retirement Board.

The Inspector General must submit semiannual reports to the Chairman of the Railroad Retirement Board and to the U.S. Congress. This dual reporting requirement helps to ensure the public disclosure of program weaknesses as well as OIG independence. The Inspector General Act of 1978, as amended by the Inspector General Act Amendments of 1988, specifies the information to be included in semiannual reports.

## THE RAILROAD RETIREMENT BOARD

The Railroad Retirement Board (RRB) is an independent agency in the Executive Branch of the Federal government that is headed by a three member Board appointed by the President of the United States, with the advice and consent of the U.S. Senate. The Board Members' terms of office are five years with different expiration dates. The RRB's primary function is to administer comprehensive retirement-survivor and unemployment-sickness insurance benefit programs for the nation's railroad workers and their families. These programs are provided under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. In addition, the RRB has administrative responsibilities under the Social Security Act for certain benefit payments and Medicare coverage for railroad workers.

During fiscal year (FY) 1998, the RRB paid \$8.2 billion in retirement and survivor benefits to approximately 772,000 beneficiaries, while net unemployment and sickness insurance benefits of \$88 million were paid to almost 31,000 claimants. The RRB also administers its own Medicare Part B program through a single carrier, United HealthCare Corporation. The carrier made payments totaling \$671 million to 688,000 persons.

## **PART II - SIGNIFICANT ISSUES**

### **FINANCIAL STATEMENT AUDIT**

On March 5, 1999, the Office of Inspector General issued its audit report on the RRB's financial statements and related internal controls for the period October 1, 1997 through September 30, 1998. As in all previous years' reports, the auditors included a disclaimer of opinion. The disclaimer resulted from the lack of sufficient audit evidence to determine the proper accounting and reporting of the financial interchange, the annual funds transfer from the social security trust funds, and a major source of income to the railroad retirement and survivor program.

#### **Financial Interchange**

The financial interchange is intended to place the Social Security Old-Age, Survivors and Disability Insurance and Hospital Insurance Trust Funds in the same position they would have been if railroad employment had been covered by the Social Security and Federal Insurance Contributions Acts. Through this process, computations are made for the amount of social security taxes that would have been collected on railroad employment and the amount of additional benefits which social security would have paid to railroad retirement beneficiaries during the same fiscal year.

Auditors were unable to adequately audit the financial interchange on September 30, 1998 because estimates of amounts due are used in the agency's financial statements. The actual determination and settlement of the amounts due at the end of the fiscal year are made in June of the following fiscal year. As a result, the financial interchange amounts cannot be reasonably estimated for financial statement purposes.

Recommended Action: During the FY 1998 audit, the OIG recommended a change in accounting principle to record and report on financial interchange amounts during the year of settlement. The agency consulted the Financial Accounting Standards Advisory Board (FASAB) for concurrence; FASAB could not, based on the limited discussions that occurred, endorse the recommended change. The RRB will not be able to implement such a significant change without the agreement of FASAB or the Office of Management and Budget. The OIG did recommend that the RRB develop a full, factual presentation of the accounting, legal and technical issues involved in the financial interchange process for use in obtaining the necessary concurrence.

### **Overall Control Environment**

The audit also continued to cite the present organizational structure of the agency as a material weakness because current operating objectives are designed to meet the organizational responsibilities of each individual unit, not the overall agency. This area was first identified as a material weakness during the audit of the RRB's financial statements for fiscal year 1993 by Arthur Andersen LLP. Although the agency has undergone extensive reorganization, the changes have not impacted the overall control environment. The conditions that resulted in the original finding continue to exist and have an adverse effect on the agency's ability to meet its internal control objectives.

Recommended Action: The RRB did not include this issue as a material weakness in either its 1997 or 1998 Federal Managers' Financial Integrity Act Report. There remains a difference of opinion between the agency and the OIG on the appropriate statutory scheme for the RRB. The OIG believes the overall control environment continues to be a material weakness. Since the agency has ceased reporting this weakness and has declined prior recommendations, no further recommendation was included in this audit.

## **Railroad Retirement Tax Deposits**

Auditors also cited the lack of adequate documentation for payroll tax receipts as a reportable condition. Controls do not ensure that the Department of the Treasury fully and accurately credits railroad retirement tax deposits to the railroad retirement trust funds. The Internal Revenue Service collects railroad retirement taxes that are subsequently remitted to the RRB via Treasury. All but the very smallest railroad employers make periodic tax deposits using an electronic payment system. The quantity, quality and timeliness of data are not sufficient to permit detailed analysis of taxes deposited by railroad employers with amounts credited to the trust funds by Treasury. As a result, the RRB cannot obtain a high level of assurance that all deposits are properly credited. Although the RRB is the recipient of system information, the automated systems used to collect, transfer and report on electronic deposits belong to the Treasury.

Recommended Action: Because the RRB continues to work with the appropriate parties to improve system reporting, auditors issued no new recommendation on this issue.

## **PAYMENT AND CASE ACCURACY ISSUES RELATED TO THE FINANCIAL STATEMENT AUDIT**

In a related review, auditors examined the issue of benefit payment inaccuracy which was cited in the audit of the agency's financial statements for fiscal year (FY) 1993. In fact, the audit report contained a disclaimer of opinion by Arthur Andersen LLP which cited the inaccuracy of benefit payments as a potential unrecognized source of financial liability. Auditors disclaimed their opinion because the agency was unable to estimate the potential liability related to benefit underpayments.

Subsequent audits of FY 1994-1997 financial statements conducted by Arthur Andersen LLP, KPMG Peat Marwick LLP and this office also resulted in similar disclaimers of opinion. In response to auditor recommendations, the agency addressed the issue by adopting new regulations governing administrative finality. Auditors have determined that the existing regulations governing the finalization and reopening of adjudicative decisions sufficiently limit the agency's financial liability.

However, benefit payment accuracy remains a serious concern because benefit payments are the primary mission of the agency. Auditors reviewed the agency's annual studies of benefit payment accuracy and identified several weaknesses that should be addressed to improve the case accuracy information provided to management. They recommended that the Office of Programs establish a goal for case accuracy, design a plan for the statistical measurement of case accuracy, and review the calculation and presentation of "overall" performance. The Director of Programs agreed with the report findings and will coordinate corrective actions with the appropriate agency managers.

### **INVESTMENT ACTIVITIES**

On February 16, 1999, we provided the RRB's Chair with a summary of OIG findings concerning the agency's Investment Committee. This area remains one of high concern because of its potential impact on the trust funds. The agency has not addressed the serious deficiencies in the Committee's operations identified by this office. The Committee has failed to develop a long-term strategy or formal procedures for investments. The Committee members lack the experience and expertise to trade Treasury issues, and have now engaged in active trading of securities.

At the request of the Chair, the Board established a working group comprised of representatives of the three Board offices and the voting and non-voting



members of the Investment Committee in light of recommendations made by outside consultants. The group is studying the current investment practices and make-up of the Committee. In response to our correspondence, the Chair also asked the Investment Committee for historical documentation of investment activities.

This office has repeatedly cited the conflict of interest in the responsibilities of the Chief Actuary as a serious weakness in investment policies. The Chief Actuary calculates actuarial projects to determine cash flow needs and, as the Committee's Chairman, generates security trading data and initiates trades. On March 15, 1999, the Board Members issued their decision to change the status of the Chief Actuary. He will now be a non-voting member and the RRB General Counsel assumes the chairmanship of the Committee. This office believes the Chief Actuary, even as a non-voting member of the Committee, will have significant input on investment activities. We have, therefore, recommended that the role of the Bureau of the Actuary be limited to providing updates on required cash flows of the trust funds based on projected surpluses or deficits.

The OIG recognizes there is a fundamental difference in opinion between the Board and this office concerning investment activity. The Investment Committee favors an active trading strategy; this office, however, believes a buy and hold strategy is a more prudent and conservative method for investing the trust funds. We will continue to monitor this area and provide our findings to the Board Members.

### **MONITORING OF YEAR 2000 PROJECT**

During this semiannual reporting period, we continued our monitoring activities of the RRB's Year 2000 (Y2K) conversion project and determined the agency is on schedule for overall Y2K conversions. On January 12, 1999, the agency completed conversion of all mission critical mainframe (89) and personal

computer (35) systems. Conversion of approximately sixty per cent of non-mission critical mainframe systems has been completed; all are scheduled for completion by the close of this fiscal year.

RRB personnel are currently conducting future date testing and test planning of systems that have been converted and placed back into production. The future date testing will ensure that each individual system can process within the next millennium. Integrated final testing will take the future date testing one step farther by ensuring that every system can work together. Test files were extracted during March, and actual test runs began in April. This testing involves the use of several future dates and the integrated processing of major daily and monthly operations for railroad retirement, survivor, unemployment and sickness benefits.

The RRB has also prepared a statement of work for contractor bids to provide independent verification and validation services. These services will include the analysis of date fields in RRB program source codes to determine whether they are being used properly in comparisons, data transfers and calculations.

We are also monitoring the agency's development of a business continuity contingency plan for possible problems in core business processes resulting from Y2K failures. RRB staff are working to identify potential problems and developing appropriate actions to address them. We will review their plan for completeness and conformance to General Accounting Office guidelines.

## **PART III - OFFICE OF AUDIT**

### **Mission**

The Office of Audit (OA) conducts reviews to: (1) promote economy, efficiency, and effectiveness in the administration of RRB programs and (2) detect and prevent waste, fraud and abuse in such programs. Through the Inspector General, this office ensures that the Board Members and the U.S. Congress are informed of current and potential problems in the RRB's operating programs, and advised of recommended improvements, as well as the status of corrective actions.

During this reporting period, OA issued seven reports and continued its monitoring efforts of the agency's Year 2000 project and investment committee activities as discussed in Part II, Significant Issues. OA conducted audits that would assist the OIG in evaluating the agency's progress in meeting its strategic goals. Accordingly, the specific RRB strategic goal that a review addresses is indicated.

## **ACCURACY OF PREH DATA AND CONTROLS OVER PREH REFERRALS**

### **Strategic Goals: Provide Excellent Customer Service Expand the Use of Technology and Automation**

The Payment, Rate and Entitlement History (PREH) system was designed to be the primary, central source for accurate and complete benefit data. The RRB uses the PREH system to mechanically adjust annuity payments, process mass adjustments, provide financial management, and for quality control. The system stores, updates and displays award-related and statistical data for future reference, and reflects historical occurrences for entitlement and payment

records processed in June 1995 or later. Such events include benefit terminations, address changes, rate changes or other award activities that necessitate changes to the system.

PREH contains extensive edits to ensure that all data is properly recorded. The system allows users to see the edits as well as an explanation of those edits. When an award action or change contains deficient, discrepant or missing data, a referral is generated. Although the action is processed, the referral acts as an alert that the discrepancy must be manually reviewed and corrected. PREH referrals are controlled by an on-line inquiry and update system which provides a paperless environment for accumulating referrals. The PREH Correction system allows on-line, real time data modification. This audit was performed during a pilot period in which experienced personnel utilized the correcting capability for the first time.

Auditors conducted this review to assess the controls used to ensure the accuracy and timeliness of handling PREH referrals, and to validate the accuracy of selected data on the PREH database. Review results indicated that referrals are closed within a reasonable time; however, referrals are not always handled accurately. Auditors recommended that the RRB, through its quality assurance process, take steps to improve accuracy by verifying compliance with procedures for handling PREH referrals. Another report recommendations stressed the need for the agency to develop an action plan to add missing data and correct all inaccurate data in PREH. Management, however, rejected the proposal, stating that all systems are continually reviewed to determine future needs. Corrective actions are underway for system information related to military service and disability onset dates.

## WAIVER PROCESSING

### **Strategic Goal: Safeguard the Trust Funds Through Prudent Stewardship**

Section 10 of the Railroad Retirement Act and Section 2 of the Railroad Unemployment Insurance Act provide waiver authority to the Railroad Retirement Board. The general requirement under each Act is that an individual is without fault and "...in the judgement of the Board, recovery would be contrary to the purpose of the Act or would be against equity or good conscience."

When a benefit overpayment is identified, agency personnel record an account receivable. The debtor may request that the overpayment be waived. The RRB may waive a benefit overpayment in whole or in part.

The Debt Recovery Division (DRD) in the Bureau of Fiscal Operations is responsible for the processing of waiver requests. If DRD denies a request, a debtor can appeal to the Board and, ultimately, to the Federal courts. Several types of waivers are available including regular waivers, blanket waivers, and pre-recovery waivers. Under regular waiver procedures, a debtor must initiate the request for waiver. Blanket waivers are granted when a mechanical error or incorrect interpretation of law causes the overpayments. A pre-recovery waiver was granted prior to recovery action; however, the Board rescinded pre-recovery authority effective September 30, 1996. Pre-recovery waivers were automatically granted if an overpayment resulted from administrative or Board error, and the overpayment had been undetected for over four years.

Auditors determined that the RRB significantly reduced the inventory of pending waiver requests from the end of January 1995 to September 1997. The number of pending appeals of waiver decisions was also reduced from 1,628 to 767 during the same time period. Report recommendations addressed improvements that could be implemented to increase efficiency and strengthen

internal controls in this area. A review of debtor files to determine the extent to which individuals may be repaying debt that would have satisfied the criteria for pre-recovery waiver is underway.

## **PUBLIC SERVICE OFFSET PROCEDURES**

### **Strategic Goals: Provide Excellent Customer Service Safeguard the Trust Funds Through Prudent Stewardship**

The Railroad Retirement Act provides that spouse and survivor annuities be reduced by the same amounts required under the Social Security Act. The Social Security Act provides that spouse and survivor annuities be reduced by a portion of any public service pension amount being received by the annuitant. A public service pension is any periodic or lump-sum benefit payment based on the annuitant's own employment with a Federal, state or local government of the United States. A similar offset is made to RRB retirement benefits of railroad employees who are also receiving retirement benefits from an organization not covered under the Social Security Act. This is referred to as non-covered service pension.

When annuitants apply for benefits, the RRB solicits information to identify the annuitants receiving a public service pension. Individuals who specify that they are receiving or expect to receive a public service pension must complete a form detailing for whom they worked, when they became entitled or will be entitled to the pensions, and the amount of the pensions. The RRB performs an annual computer match with the Office of Personnel Management to identify annuitants who fail to notify the RRB of the receipt of Federal government pensions.

Auditors conducted this review to determine if the RRB is properly adjusting RRB benefit payments for public service pensions. Audit results indicated that

RRB personnel are correctly calculating public service offset amounts and are also making correct determinations of whether benefits should be reduced for receipt of public service pensions. However, auditors recommended that the RRB could reduce overpayments by implementing a tracking system for individuals who indicate future entitlement to a public service pension at the time of application. Management subsequently developed procedures to track the records of such retirement and survivor annuitants.

The report also recommended that the RRB consider using data in the Social Security Administration's Master Earnings File to identify individuals with unreported non-Federal pensions, such as from a state or local government. Program managers performed a study and decided such action was not feasible.

Of 169 cases reviewed, auditors identified six cases that were not reduced for receipt of public service pensions. The overpayments in these cases totaled \$50,850.

Auditors also identified some public service pension offsets which had been inadvertently deleted as a result of other processing or adjustments. The RRB's Office of Programs is in the process of determining the feasibility of developing appropriate back end controls to identify these types of errors.

## **PROCEDURES FOR CORRECTING ERRORS IN SERVICE AND COMPENSATION REPORTING IDENTIFIED BY THE EDM SYSTEM**

### **Strategic Goal: Provide Excellent Customer Service**

Railroad employers annually report service and compensation for their employees directly to the RRB. Employers also may submit adjustment reports to correct mistakes in previous reports or to report additional service and compensation. Service and compensation are principal elements for

determining benefit eligibility and calculating benefits. RRB personnel enter data from the service and compensation reports into the Employment Data Maintenance (EDM) system, a database that maintains historical service and compensation information for each person who has ever worked for an employer covered by the Railroad Retirement Act (RRA). The EDM system contains over 12 million records and processes about 360,000 transactions a year.

The EDM system edits for incorrect or inconsistent data reported by the employer; such data is categorized as either a suspended transaction or an error transaction. These transactions could affect the employer's tax liability and employees' benefits under the RRA and RUIA. The RRB uses listings of the transactions which the system produces to obtain additional information from railroad employers in resolving the suspended and error transactions.

Auditors performed this audit to assess if the RRB is effectively managing errors in service and compensation reporting. The audit indicated that, although the agency is resolving reporting errors identified by the EDM system, improvements can be made by automating the error resolution process, improving the quality of its management information, and using its subpoena authority, when appropriate. Program management concurred with the report findings. Development of an automated tracking system is underway to expedite handling and to produce reports with information that would be useful for managerial decisions. Procedures are also being finalized concerning the use of subpoenas and referral of cases to the OIG for investigation.

## **COMPUTER PROBLEM AND CHANGE MANAGEMENT PROCESS**

### **Strategic Goal: Expand the Use of Technology and Automation**

The Bureau of Information Services (BIS) uses personnel from four separate divisions to handle computer related problems and changes for the RRB. In



addition, the Policy and Systems group handles system problems as reported by personnel in the Office of Programs. Problems and changes can include software, hardware, procedures and environment.

Auditors found that the agency's processes for dealing with computer related problems, changes, and configuration management are not operating in the most efficient and effective manner in meeting the needs of agency personnel. The responsibility for recording and tracking problems is not centralized. There are insufficient controls, and no agency wide priorities or related timeliness standards for responding to problems and changes have been established. Each of the four BIS divisions records problems differently using an automated system or manual process. Policy and Systems personnel use separate procedures for handling and recording computer problems for the Office of Programs and the field offices.

In addition, computer configuration information, which includes an inventory of hardware and software, is also located in several different places within the agency. As a result, any group attempting to solve related problems and implement changes must search for necessary information, such as computer model name and number, amount of memory, printers, application name, operating system and other custom developed systems.

To address the identified weaknesses, BIS management plans to acquire centralized help desk software packages. The bureau has established a target date of April 2000 for the help desk system to be installed and functioning. BIS has also set a new standard of one business day for responding to initial notifications of end-user computer related problems. Management also plans to conduct an annual electronic survey of help desk customers to determine their satisfaction with our service.

## AUDITS: MANAGEMENT DECISIONS AND IMPLEMENTATION

Through a Memorandum of Understanding, the Director of Administration transferred the responsibility for managing the open audit follow-up system to the Office of Inspector General. This system tracks the status of corrective actions for all audit recommendations. Procedures are in place to ensure that the agency is in compliance with all applicable regulations. Office of Management and Budget Circular No. A-50 (Revised) and the Inspector General Act Amendments of 1988 require the reporting of management decisions and corrective actions for all audit recommendations.

### Management Decisions

Recommendations requiring a management decision on October 1, 1998	5
New recommendations issued during this period	
pending a management decision	0
Previous recommendations for which a management	
decision was made	<u>- 2</u>
Number of recommendations pending a management decision	
on March 31, 1999	<u>3</u>

### Corrective Actions

Prior recommendations requiring action on October 1, 1998	82
New recommendations issued during this six month reporting period	26
Recommendations for which corrective actions	
were completed from October 1, 1998 - March 31, 1999	<u>- 32</u>
Recommendations pending final action	
March 31, 1999	<u>76</u>

## **PART IV - OFFICE OF INVESTIGATIONS**

### **Mission**

The Office of Investigations (OI) focuses on RRB benefit program fraud. OI's primary objective is to identify, investigate, and refer for prosecution and monetary recovery action, cases of waste, fraud and abuse in RRB programs. Through its investigations, OI also seeks to prevent and deter program fraud. In order to maximize the effect of its resources, OI continues to pursue cooperative investigative activities and coordination with other Inspectors General and law enforcement agencies, which include the Social Security Administration-Office of Inspector General (SSA-OIG), the Federal Bureau of Investigation (FBI), the U.S. Secret Service, the Internal Revenue Service, the Postal Inspection Service and the Defense Criminal Investigative Service.

### **Operational Issues**

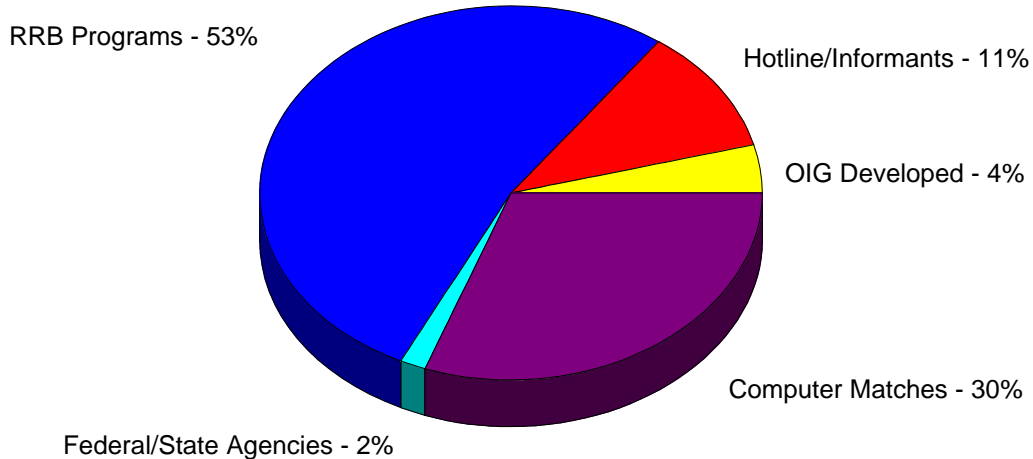
During this semiannual reporting period, the OIG and agency officials entered into an agreement concerning the processing of Railroad Unemployment Insurance Act (RUIA) fraud cases. Under the terms of the agreement, the RRB will delay billing RUIA beneficiaries who committed fraud. This policy will provide the OIG with sufficient time to present the cases to the Department of Justice for prosecutive consideration before the agency initiates administrative action to recover an overpayment. Such administrative actions are an impediment to criminal and civil prosecutions. The initial term of the agreement is for a trial period of six months.

<b>INVESTIGATIVE ACCOMPLISHMENTS</b>	<b>FY 1998</b>	<b>10/01/98 - 03/31/99</b>
Convictions	100	38
Civil Judgements	73	26
Indictments/Informations	43	26
Investigative Recoveries & Savings	\$ 369,797	\$ 181,615
Restitutions and Fines	\$ 729,254	\$ 755,379
Civil Damages and Penalties	\$ 876,808	\$ 672,181
Community Service Hours	537	320
Disciplinary/Administrative Action	9	0
Complaints	59	24
Arrests	58	18
Subpoena Service:		
Inspector General	20	5
Federal Grand Jury	40	32
Program Fraud Civil Remedies Act Referrals	3	0
U.S. Attorney Referrals	333	114

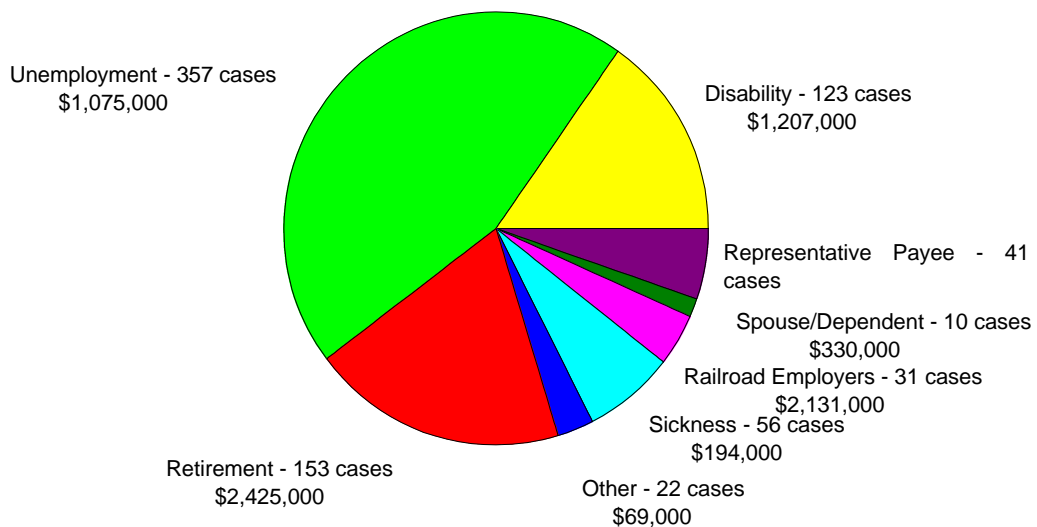
OI presently has 178 cases pending prosecution with various U.S. Attorneys across the nation.

## INVESTIGATIVE CASES

During this semiannual period, OI opened 110 investigations and closed 171 cases. The major sources of case referrals are illustrated below.



OI's current caseload is approximately 800 criminal matters, representing over \$7.8 million in fraud against the RRB. A breakdown of the cases by RRB program area and estimated fraud losses is provided in the table below.



**AFFIRMATIVE CIVIL ENFORCEMENT (ACE) PROGRAM**

Ol continues to pursue prosecution of cases under the Department of Justice's Affirmative Civil Enforcement Program. This program involves "fast track" civil prosecution of cases under the provisions of the Title 31, U. S. Code, Sections 3729-3733, The Civil False Claims Act. This statute allows the government to recover up to triple damages as well as \$5,000 to \$10,000 for each false claim submitted.

During this reporting period, a total of 25 civil judgements under the ACE program were entered by Federal district courts which will result in the return of \$393,737 to the government when the funds are collected.

The Department of Justice is frequently obtaining double damages through these civil false claims prosecutions. The judgements obtained in these cases also provide the agency with an efficient and effective basis to pursue their collection activities.

The ACE Program continues to provide an efficient means to address fraud against agency programs, particularly where the fraud losses are below the financial guidelines for criminal prosecution. It also is an effective way to return fraud losses to the RRB's trust funds and create a deterrent against future fraud.

## REPRESENTATIVE INVESTIGATIONS

### Railroad Employer Fraud

OI investigates cases involving false reporting by railroad employers. Such cases are often worked jointly with the Internal Revenue Service under the direction of the Department of Justice Tax Division attorneys. Some of these cases involve complex fraud schemes which result from collusion among railroad employers, retired railroad workers and third party employers. These schemes have a substantial impact on the agency's trust funds because the retirees are receiving benefits to which they are not entitled and, at the same time, the employers are not submitting contributions to the trust funds as required.

OI has reviewed all audits conducted by the RRB's Audit and Compliance Section to identify indications of fraudulent reporting to the agency by railroad employers. OI has also decided to review all future draft reports for railroad employer audits to identify potential criminal violations which should be referred to the Department of Justice.

Two significant cases involving false reporting by railroad employers are described below.

- # Based on a complaint from a railroad worker which was referred to the OIG by the RRB's Salt Lake City field office, the OIG initiated an investigation of subjects who owned and operated multiple shortline railroads in several western states. The RRB had determined that these railroads were employers covered by the Railroad Retirement and Railroad Unemployment Insurance Acts.

However, a review of the RRB's records disclosed that each railroad had submitted reports indicating they had no employees. Investigation also determined that railroad workers were being reported as employees of a separate railroad construction company which was owned and operated by the same subjects. The railroad workers were reported as being covered under the Federal Insurance Compensation Act (FICA) and the payroll contributions were deposited to the Social Security trust funds. The payroll contributions under FICA are substantially lower than those for the RRA and RUIA.

As a result of this scheme, the RRB trust funds were underpaid and railroad workers employed by these shortline railroads were denied benefits to which they were entitled under the RRB's programs.

The investigation conducted by Special Agents from the RRB/OIG and the Internal Revenue Service, Criminal Investigation Division, determined that the subjects in this case had filed false reports with both the Railroad Retirement Board and the Internal Revenue Service, and had failed to report and pay the payroll taxes for the railroad workers employed by their railroad companies. The case was referred to the U.S. Department of Justice, Tax Division, and two trial attorneys from that office were assigned to prosecute the matter.

In February 1999, a Federal Grand Jury in the District of Utah returned a 21 count indictment in the case charging the two subjects and the railroad construction company with violation of Title 18, Section 371, Conspiracy. The railroad owners were also charged with multiple



violations of Title 26, Sections 7203 and 7202, Failure to File Tax Returns, Failure to Account for and Pay Over Railroad Retirement Taxes. One railroad owner/subject in the case was also charged with Filing a False Tax Return. This individual failed to report over \$300,000 in income on his personal income tax returns that he received when he left the business,

The owners/subjects were arraigned before a Federal District Court Judge in Salt Lake City and released on their own recognizance. A trial has been scheduled for November 9, 1999.

- # In February 1997, OI received an anonymous complaint on its hotline which alleged that the White Pass and Yukon Route Railroad (WPYR) was not reporting certain employees to the RRB. WPYR is a scenic passenger railroad that operates May through September each year between Skagway, Alaska and Fraser, British Columbia, Canada. Investigation identified that, between 1995 and 1997, the railroad company knowingly failed to report compensation for approximately 15-25 non-union railroad employees to the RRB, as required by the RRA and RUIA. The company used a fraudulent scheme to avoid reporting employee compensation, to avoid paying over \$278,000 in contributions, and to avoid personal injury liability for the employees under the Federal Employee Liability Act. The employees were reported to the State of Alaska as non-railroad employees through payroll servicing companies. The employees were covered for unemployment and personal injury benefits under programs of the State of Alaska.

The WPYR agreed to a global civil/criminal settlement under which the company plead guilty to three counts of 45 U.S.C., Section 231 (l), failing to report employee compensation to the RRB. The company was

sentenced to three years probation, ordered to pay a criminal fine of \$75,000, pay restitution of \$278,444 to the RRB, and reimburse the RRB-OIG for costs totaling \$24,110 that were incurred during the investigation. In addition, the court accepted the civil settlement in which the WPYR will pay an additional \$278,444 to the RRB.

### **Retirement Benefit Cases**

RRB retirement fraud typically involves the theft and fraudulent cashing of U.S. Treasury checks, or the illicit conversion of U.S. Treasury electronic fund transfers, by someone other than the authorized RRB annuitant. During this reporting period, OI obtained 12 convictions for retirement fraud. Defendants received 21 ½ years probation and 10 months imprisonment, were ordered to pay \$275,971 in restitution, and required to perform 120 hours of community service. OI also achieved one civil judgement in a retirement fraud case which will return \$47,952 to the RRB trust funds. In addition, the RRB will be able to recover \$105,581 in overpayments as a result of OI investigations.

Examples of recent retirement cases follow.

- # Based on an agency referral, OI opened a case involving a subject who allegedly had forged and cashed 74 U.S. Treasury checks issued to his father. Further investigation indicated that the RRB had not been notified of his father's death on August 27, 1988. The subject had stolen the checks, forged the name of his father and deposited the checks into his own account following his father's death. The RRB issued the checks totaling \$67,388 from August 1988 through October 1994. The son pleaded guilty to four counts of 18 U.S.C. Section 641, Theft of Public Money, Property or Records, and was sentenced to five months in prison, five months home confinement, three years probation and ordered to make full restitution.

- # OI initiated an investigation based on a referral from the RRB's district office in Kansas City. Initial allegations indicated that an annuitant had died on January 18, 1991, and that a theft in benefits of approximately \$92,000 had occurred.

Special agents from the RRB-OIG and the U.S. Secret Service subpoenaed bank records which revealed that annuity payments were direct deposited into a joint account held by the annuitant and her stepdaughter. The stepdaughter admitted she had fraudulently obtained funds from the account for six years after the annuitant's death. She subsequently pleaded guilty to one count of 18 U.S.C., Section 641, Theft of Public Money, Property or Records. She was sentenced to five months in prison, and ordered to pay restitution totaling \$99,457 to the RRB.

- # After an annuitant failed to respond to an RRB inquiry, investigation by OI special agents revealed that the annuitant had died in December 1994. The RRB had issued 18 annuity payments via electronic funds transfer into the annuitant's personal checking account. Financial records indicated that the annuitant was the sole account holder and that person(s) unknown had withdrawn the RRB funds via automatic teller machine (ATM).

Further investigation identified the annuitant's gardener as the individual who had fraudulently withdrawn the funds between January 1995 and June 1996 using the annuitant's ATM card. The subject claimed the annuitant had voluntarily given him the card and her PIN number. He subsequently plead guilty to violating 18 U.S.C., Section 641, Theft of Public Money, Property or Records and was sentenced to six months home confinement, five years probation,, received a \$25 assessment fee, and was ordered to make restitution of \$24,329.

### **Unemployment and Sickness Insurance Cases**

Unemployment Insurance (UI) and Sickness Insurance (SI) benefit fraud involves individuals claiming and receiving UI or SI benefits while working and receiving wages from an employer, in violation of Federal law. The primary source of UI/SI fraud cases remains state computer matching programs that compare RRB beneficiaries with individuals for whom wages have been reported.

During this reporting period, OI obtained 22 convictions for UI and SI fraud. Defendants in these cases received, in the aggregate, 43 years of probation, one year suspended sentence, three years imprisonment, were ordered to pay \$68,189 in restitution, \$500 in fines, and perform 200 hours community service. OI also achieved 22 civil judgements which will return \$196,341 to the UI/SI programs. The RRB will be able to recover an additional \$39,363 as a result of OI investigations.

Examples of typical cases involving individuals fraudulently receiving unemployment or sickness insurance benefits follow.

- # The RRB's Sickness and Unemployment Benefits Division referred an allegation concerning an individual who collected unemployment insurance benefits on the same days that he worked for a private employer. During 1995 and 1996, he submitted 14 false claims and collected \$6,048 in unemployment benefits on 138 days while he was employed. Between 1976 and 1988, he was convicted for terrorist threats, assaults, criminal mischief, and contempt of court.

On February 8, 1999, the subject pleaded guilty to violating 18 U.S.C., Section 287, Making a False Claim. The subject was sentenced to one year imprisonment, three years probation, and ordered to make

restitution of \$3,000 based on his inability to pay the full amount. The subject is now incarcerated at the Federal Correctional Institution in Fort Dix, New Jersey.

- # A state wage match with the State of Illinois identified an individual who was employed by a casino and a truck rental company while collecting unemployment benefits from the RRB. After the employers provided the necessary wage information, an overpayment in the amount of \$6,753 was calculated. The subject signed a voluntary statement admitting claiming benefits while employed. OI submitted a report to the U.S. Attorney's Office in Chicago. The Civil Division accepted the case for prosecution under the Affirmative Civil Enforcement (ACE) program.

The U.S. Attorney's Office attempted to negotiate a settlement with the subject which would require him to repay double damages for a total repayment of \$13,506 to the government. However, he refused to consider any repayment over the original fraud amount and to cooperate with the U.S. Attorney's Office. On March 10, 1999, an order of default judgement was entered in Federal District Court for payment of \$20,259 plus interest.

- # Another case, which was referred to OI by an RRB program, identified an individual who claimed unemployment benefits on 126 days while employed. He received \$7,350 in fraudulent benefit payments. The subject provided a full written confession in which he admitted to the fraud.

The case was accepted for civil prosecution by the U.S. Attorney in Detroit, Michigan. The subject entered into a consent judgement and was ordered to repay \$11,077 in damages to the government.

Damages of \$7,350 were ordered paid to the RRB to settle the overpayment of unemployment benefits. The remaining monies will be paid into the Department of the Treasury miscellaneous account.

### **Disability Cases**

The OIG also conducts fraud investigations relating to the RRB's disability program, which typically involves larger financial amounts and more sophisticated schemes. During this reporting period, OI obtained 3 convictions for disability fraud and defendants in these cases were ordered to pay \$55,275 in restitution, \$2,000 in fines, and serve seven years probation. Two civil judgements were realized that will return \$149,445 to the disability program. An additional \$36,671 in overpayments will be recovered as a result of OI investigations concerning disability fraud cases.

Examples of typical disability fraud cases follow.

- # In January 1996, OI received a hotline complaint that a recipient of an RRB total and permanent disability annuity was the owner/operator of a restaurant in Washington state. The subject was receiving \$876 in monthly RRB benefits at the time the case was initiated. During an interview with OI special agents, he admitted that he had fraudulently obtained disability benefits from 1980 through 1995.

During the criminal proceedings, the subject died. The case was turned over to the Civil Division of the U.S. Attorney's Office, Western District of Washington. On October 15, 1998, a settlement was reached between representatives of the subject's estate and the U.S. As a result, the RRB will receive \$143,991.

- # A state wage match with the State of Alaska identified a subject who was collecting disability benefits from the RRB while employed by a local gas station. The subject applied for a disability annuity in December 1986 based on a back injury in 1983 and subsequent surgery in 1985. An overpayment of \$11,666 was calculated based on information supplied by the employer. The subject signed a voluntary statement admitting to fraudulently receiving the benefits. The subject plead guilty to Federal theft charges and, in February 1999, was sentenced to four years probation and ordered to pay full restitution to the RRB.

## HOTLINE CALLS

The Office of Inspector General established its Hotline to receive complaints concerning suspected fraud, waste and abuse in RRB programs and operations. The Hotline provides an open line of communication for individuals who desire to report suspected criminal activity, conflict of interest, mismanagement, and waste of RRB funds.

	FY 1998	10/01/98 - 03/31/99
Total Contacts (Telephone Calls and Letters)	1,649	813
Referred to:		
RRB-OIG, Office of Investigations	223	102
RRB Bureaus/Offices	1,110	571
Other Federal Agencies	54	18
State/Local Agencies	1	0
United Health Care Corporation/ Durable Medical Equipment Regional Carriers	47	7
Other (misdirected calls, followup calls to agents and inquiries regarding previous complaints)	214	115
TOTAL	1,649	813



**APPENDIX A****OIG REPORTS ISSUED**

<b>Report No.</b>	<b>Title</b>
99-01	Accuracy of PREH Data and Controls Over PREH Referrals, October 14, 1998
99-02	Review of Waiver Processing, October 15, 1998
99-03	Review of Public Service Pension Offset Procedures, October 15, 1998
99-04	Review of Procedures for Correcting Errors in Service and Compensation Reporting Identified by the EDM System, October 19, 1998
99-05	Review of Computer Problem and Change Management Process, February 12, 1999
99-06	Fiscal Year 1998 Financial Statement Audit, March 5, 1999
99-07	Payment and Case Accuracy Issues Related to the Financial Statement Audit, March 24, 1999

**APPENDIX B****INSPECTOR GENERAL ISSUED REPORTS  
WITH QUESTIONED COSTS**

	<u>Number</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision had been made by October 1, 1998	0	0	0
B. Which were issued from October 1, 1998 through March 31, 1999	0	0	0
Subtotals (A + B)	0	0	0
C. For which a management decision was made from October 1, 1998 through March 31, 1999	0		
(i) dollar value of disallowed costs		0	0
(ii) dollar value of costs not disallowed		0	0
D. For which no management decision has been made by March 31, 1999	0		0
Reports for which no management decision was made within six months of issuance	0		0

**INSPECTOR GENERAL ISSUED REPORTS  
WITH RECOMMENDATIONS THAT  
FUNDS BE PUT TO BETTER USE**

	<u>Number</u>	<u>Dollar Value</u>
A. For which no management decision has been made by October 1, 1998	0	
B. Which were issued from October 1, 1998 through March 31, 1999	1	
Subtotals (A + B)	1	
C. For which a management decision was made from October 1, 1998 through March 31, 1999	1	
(i) dollar value of recommendations that were agreed to by management		\$ 50,850
(ii) dollar value of recommendations that were not agreed to by management		0
D. For which no management decision has been made by March 31, 1999	0	
Reports for which no management decision was made within six months of issuance	0	

## APPENDIX C

### REPORT ON RECEIVABLES, WAIVERS, AND RECOVERIES

The FY 1999 appropriations language for this office requires the reporting of additional information concerning actual collections, offsets and funds put to better use achieved as a result of Inspector General activities. Figures are to be provided for each semiannual period and as a cumulative number.

#### Office of Audit

<u>Report No.</u>	<u>Funds to be Put To Better Use</u>	<u>Funds Agreed by Management</u>	<u>Receivables Established</u>	<u>Waivers</u>	<u>Recoveries To Date</u>
99-03	\$ 50,850	\$ 50,850	\$ 50,850	\$ 50,490	\$ 360 *

#### Office of Investigations

Recoveries realized by the RRB resulting  
from court ordered restitution and civil damages

October 1, 1998 - December 31, 1998:	\$ 154,051
January 1, 1999 - March 31, 1999:	\$ 190,414 *

\*All funds recovered are deposited in the agency trust funds from which all benefits are paid.

The OIG is continuing to consult with Department of Justice officials to obtain additional information from their systems regarding civil damages and penalties that are deposited to the Department of the Treasury miscellaneous account.



## **APPENDIX D - PREVIOUSLY REPORTED SIGNIFICANT RECOMMENDATIONS ON WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED**

**AUDITS OF THE FINANCIAL STATEMENTS FOR FY 1993 (JULY 15, 1994),  
FY 1994 (JANUARY 13, 1995), FY 1995 (APRIL 23, 1996), FY 1996  
(JANUARY 10, 1997), AND FY 1997 (FEBRUARY 27, 1998)**

The RRB has not implemented necessary changes to fully address weaknesses cited in the audits of the agency's financial statements for fiscal years 1993-1997. The same deficiencies were also cited in the recently issued audit of the FY 1998 financial statements:

- C Financial Interchange - The current timetable for the settlement process prevents the timely and accurate preparation of annual financial statements. Auditors have recommended that the agency record and report on financial interchange amounts during the year of settlement.
- C Crediting of retirement tax deposits - The RRB continues to work with the Internal Revenue Service and Department of the Treasury to ensure deposits are being properly credited. The agency plans to complete corrective action by June 2000.
- C Overall control environment of the agency - Although the RRB has implemented several reorganizations, agency operations have not changed significantly. There are 20 major operating units and no independent Chief Executive Officer. The three Board Members remain highly involved in the operational affairs of the agency.

## **APPENDIX E - AUDIT REPORTS OVER SIX MONTHS OLD PENDING A MANAGEMENT DECISION**

### **Review of Quality Assurance Activities, Report No. 97-06, January 22, 1997**

The Office of Inspector General reviewed agency quality assurance activities to identify the assignment of quality assurance responsibilities within the agency. The report recommended that the Board Members assign each Director the responsibility for quality assurance relative to the functions and activities of their respective offices and eliminate the current Bureau of Quality Assurance organization. We also recommended that the Board Members implement a quality management program similar to one proposed by a Total Quality Management task force in 1993.

The Director of Administration, the Director of Programs and the Assistants to the Board Members deferred action on the recommendations pending the final organizational structure and submission of a quality plan for the Assessment and Training Unit in the Office of Programs. Although the plan was submitted to the Board Members on August 11, 1997, no decision has been made.

The Board Members also agreed to address a quality management program in the context of a partnership council with the employee union. Discussions with the union were halted after union representatives insisted the partnership council include the Board Members or have authority to make binding decisions.

On September 22, 1998, the Board Members agreed to form a committee of their assistants to review the overall organization of the agency. In January 1999, the Board Members directed the Executive Committee to suggest organizational improvements which includes responsibility for quality assurance activities.

**APPENDIX F - RRB MANAGEMENT REPORTS\*****MANAGEMENT REPORT ON FINAL ACTION  
ON AUDITS WITH DISALLOWED COSTS  
FOR THE SIX MONTH PERIOD ENDING MARCH 31, 1999**

	<u>Number of audit reports</u>	<u>Disallowed costs</u>
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	<u>0</u>	\$ <u>0</u>
B. Audit reports on which management decisions were made during the period.	<u>0</u>	\$ <u>0</u>
C. Total audit reports pending final action during the period. (A + B)	<u>0</u>	\$ <u>0</u>
D. Audit reports on which final action was taken during the period.		
1. Recoveries		
(a) Collections and offsets	<u>0</u>	\$ <u>0</u>
(b) Property	<u>0</u>	\$ <u>0</u>
(c) Other	<u>0</u>	\$ <u>0</u>
2. Write-offs	<u>0</u>	\$ <u>0</u>
3. Total of 1 and 2	<u>0</u>	\$ <u>0</u>
E. Audit reports needing final action at the end of the period (C - D.3)	<u>0</u>	\$ <u>0</u>

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\*The information contained in this section has been provided by RRB management.



**MANAGEMENT REPORT ON FINAL ACTION ON AUDITS  
WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE  
FOR THE SIX MONTH PERIOD ENDING MARCH 31, 1999**

	<u>Number of audit reports</u>	<u>Funds to be put to better use</u>
A. Audit reports, with management decisions, on which final action had not been taken at the beginning of the period.	<u>1</u>	\$ <u>2,400,000</u> *
B. Audit reports on which management decisions were made during the period.	<u>1</u>	\$ <u>50,850</u>
C. Total audit reports pending final action during the period. (A + B)	<u>2</u>	\$ <u>2,450,850</u> *
D. Audit reports on which final action was taken during the period.		
1. Value of recommendations implemented (completed)	<u>1</u>	\$ <u>50,850</u>
2. Value of recommendations that management concluded should not or could not be implemented (completed)	<u>0</u>	\$ <u>0</u>
3. Total of 1 and 2	<u>1</u>	\$ <u>50,850</u>
E. Audit reports needing final action at the end of the period (C - D.3)	<u>1</u>	\$ <u>2,400,000</u>

\*

\* The funds put to better use reflect the findings of an audit on accuracy of vested dual benefit (VDB) payments, Audit Report 98-23. In that report, the Office of Inspector General identified errors of \$85,000 (over- and underpayments) in a review of three samples of VDB cases. They then estimated the financial impact of the errors on the entire VDB population at \$646,000 through July 1998. According to the Office of Inspector General, the projected errors would account for \$2,400,000 in erroneous payments by the year 2003 (5-year period) if uncorrected, and this table includes that amount.

**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS  
OVER TWELVE MONTHS OLD WITH FINAL ACTION PENDING  
AS OF MARCH 31, 1999**

<u>Report</u>	Compliance Division (97-01)	<u>Date</u>	Disallowed <u>Costs</u>	Funds to be put to <u>better use</u>
Computer Match of RUIA Benefits and Compensation Adjustment Reports (93- 20)		08/04/93	None	None
Audit of the RRB's FY1993 Financial Statements		07/15/94	None	None
Audit of the RRB's FY1994 Financial Statements		01/13/95	None	None
Audit of the RRB's FY1995 Financial Statements		04/23/96	None	None
Review of Service Months Between the Date Rights Relinquished and the Annuity Beginning Date (96-13)		08/23/96	None	None
Review of Initial Claims Processing (96-15)		09/20/96	None	None
Review of the Audit and		11/01/96	None	None

Reason action has not <u>been completed</u>	millenniu m.
_____	Efforts to establish a
Necessary programming changes to perform the computer match will be addressed upon successful completion of the Year 2000 conversion effort.	memoran dum of understan ding with the IRS are pending.

Corrective actions on two  
remaining  
recommendations are  
underway, with target  
completion dates in  
Fiscal Year 2000.

Corrective action on the  
remaining  
recommendation is  
underway, as the agency  
is developing new  
requirements for  
continuing disability  
reviews.

Corrective actions on two  
remaining items are  
pending completion by  
the responsible unit  
and/or further review by  
the Office of Inspector  
General.

Office of Inspector  
General audit staff are  
reviewing an agency  
determination that the  
cases in question  
should not be reopened  
and a policy decision on  
creditable service.

Implementation plans for  
advance evidence  
collection are underway,  
including an on-line  
processing system  
planned for the new

**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS  
OVER TWELVE MONTHS OLD WITH FINAL ACTION PENDING  
AS OF MARCH 31, 1999**

<u>Report</u>	<u>Date</u>	<u>Disallowed Costs</u>	<u>Funds to be put to better use</u>	<u>Reason action has not been completed</u>
Review of Modem Usage (97-05)	01/08/97	None	None	All agency LAN's should have necessary anti-virus software installed by the end of Fiscal Year 1999.
Review of Quality Assurance Activities (97-06)	01/22/97	None	None	Under a 12/98 reorganization approved by the Board Members, the expanded Executive Committee will recommend further organizational changes, including the quality assurance program.
Review of Non-Priority Correspondence Handling (97-09)	03/13/97	None	None	The Office of Programs will issue new procedures for acknowledgment letters, and develop a tracking system after installing a frame-relay network in all the field offices.
Review of EDM Suspended Transactions (97-15)	05/08/97	None	None	Agency staff are developing a personal computer system for controlling these cases and procedures for use of subpoenas to get employer information.
Review of RRB Compliance with Electronic Payment Requirements (97-16)	05/08/97	None	None	The agency revised forms to include direct deposit information, with remaining action subject to development of an on-line processing system.
RRB Disability Review Program (97-17)	07/10/97	None	None	The agency is developing a policy to discontinue periodic reviews for cases in which medical improvement is not expected, and a new computer database of disability annuitants/reviews.

**MANAGEMENT STATEMENT ON RESOLVED AUDIT REPORTS  
OVER TWELVE MONTHS OLD WITH FINAL ACTION PENDING  
AS OF MARCH 31, 1999**

<u>Report</u>	Efficiency (98-08)	<u>Date</u>	Disallowed <u>Costs</u>
Prepayment Verification Period Pilot Program (97-18)		07/31/97	None
Review of Duplicate Postings of Railroad Compensation (97-19)		07/31/97	None
Review of Medical Services Contract (97- 20)		08/13/97	None
Review of Overpayments - SSA Transfer Cases (97-22)		08/25/97	None
Audit of the RRB's FY1997 Financial Statements (98-07)		02/27/98	None
Total and Permanent Disability Processing		03/06/98	None

Funds to be put to <u>better use</u>	Reason action has not <u>been complete d</u>	100 percent timeliness, and a second on-site evaluation scheduled for 9/99 will verify contractor security procedures.	audit activity, including the Fiscal Year 1999 Financial Statements.
None	-		A study of processing time is underway, and preliminary steps have been taken to identify processing costs.
None	Completion of this item will depend on a test currently underway of the agency's new cost accounting software.	Further automation of non-death termination cases will be addressed upon successful completion of the Year 2000 conversion effort.	
None	Necessary program changes to suppress some duplicate earnings referrals will be addressed upon successful completion of the Year 2000 conversion effort.	The agency is making recommended changes to control objectives and will test revised internal controls over computer services as part of the Fiscal Year 1999 management control review process.	
None	The agency is working to amend the contract to provide for	Also, the Office of Inspector General will identify needed changes to accountable property controls as part of other	

## APPENDIX G - REPORTING REQUIREMENTS

<b>Inspector General Act Requirements</b>	<b>Page</b>
Section 4(a)(2) - Review of Legislation and Regulations	None
Section 5(a)(1) - Significant Problems, Abuses, and Deficiencies	4-9
Section 5(a)(2) - Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	4-9
Section 5(a)(3) - Prior Significant Recommendations Not Yet Implemented	36
Section 5(a)(4) - Matters Referred to Prosecutive Authorities	19
Section 5(a)(5) - Instances Where Information Was Refused	None
Section 5(a)(6) - List of Audit Reports	32
Section 5(a)(7) - Summary of Each Significant Report	4-9
Section 5(a)(8) - Statistical Tables on Management Decisions on Questioned Costs	33
Section 5(a)(9) - Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	34
Section 5(a)(10) - Summary of Each Audit Report Over 6 Months Old For Which No Management Decision Has Been Made	37
Section 5(a)(11) - Description and Explanation for Any Significant Revised Management Decision	None
Section 5(a)(12) - Information on Any Significant Management Decisions With Which the Inspector General Disagrees	None

### Management Requirements

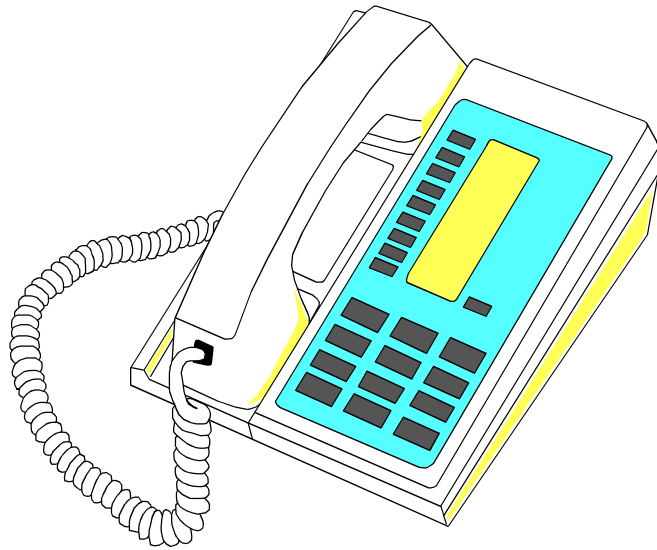
Section 5(b)(1) - Comments Deemed Appropriate	Transmittal Letter
Section 5(b)(2) - Statistical Table on Final Action on Disallowed Costs	38
Section 5(b)(3) - Statistical Table on Final Action To Put Funds to Better Use	39
Section 5(b)(4) - Statement on Audit Reports With Final Action Pending	40





# **REPORT**

## **FRAUD, WASTE AND ABUSE**



**Call the OIG Hotline: 1-800-772-4258**

**E-mail: [RRBOIG-CHI@worldnet.att.net](mailto:RRBOIG-CHI@worldnet.att.net)**

The OIG cannot ensure confidentiality to persons who provide information via e-mail. Do not send information by e-mail that you do not want a third party to read.

**Write: RRB-OIG Hotline Officer  
844 North Rush Street  
Chicago, IL 60611-2092**